

How to Launch a Sustained Attack on the Haqqanis' Financial Infrastructure

A strategy for understanding and attacking the network's logistical setup and financial assets

A Report to the House Committee on Foreign Affairs

Subcommittee on

Terrorism Nonproliferation and Trade

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11 September 2012, Washington DC

Introduction: The U.S. government should follow up its designation of the Haqqani network (hereafter “the network” or “the Haqqanis”) with a swift and thorough course of action. An ongoing military campaign to disrupt militant operations and target its leaders has had some success in pinning down the network and eliminating key commanders. However, it has failed to significantly degrade the network’s capacity to project force and to launch lethal attacks in Afghanistan. A systematic effort to map out and then disrupt and/or seize Haqqani financial holdings, criminal business activities and logistical supply lines, modeled on other successful campaigns against other transnational criminal and terror networks could significantly raise the pressure on this criminalized network. Worked in concert with the ongoing tactical campaign, it could even cause the Haqqani network to collapse. Eventually, the strategy should seek to:

- Separate the leadership from their financial holdings
- Disrupt Haqqani criminal and fund-raising activities
- Kill or capture senior leadership in the network
- Drive a wedge between the Haqqanis and the community
- Make it difficult, if not impossible, for the network to recover from disruptions.

While the Afghan Threat Finance Cell in Kabul has made notable strides in understanding the network’s broad financial activities, gaps in information remain. The U.S. government should form an interagency task force of experienced financial and fraud investigators, coupled with military intelligence analysts and collectors, law enforcement agents, logistical analysis experts and subject matter experts to fill existing gaps in information and to piece together a more complete picture of how the network operates from a business standpoint. It will be necessary to map out a complete picture of this criminalized network ahead of devising an appropriate attack strategy. Given that there is considerable data in the system, a fully resourced team could likely map the network within four months.

The Haqqanis: A semi-autonomous component of the Taliban, the Haqqani network is widely recognized as the deadliest, most globally focused faction of the Afghan insurgency. What gets far less attention is the fact that the Haqqanis are also the most sophisticated and diversified from a financial standpoint. The Haqqani business portfolio mirrors a mafia operation, prompting the *New York Times* to dub the clan-run Haqqanis “the Sopranos of the Afghanistan war.”¹ In addition to raising funds from ideologically like-minded donors, an activity the clan has engaged in since the 1980s, the network has penetrated key business sectors, including import-export, transport, real estate and construction in Afghanistan, Pakistan, the Arab Gulf and beyond. The Haqqanis employ violence and intimidation to extort legal firms and prominent community members, and engage in kidnap for ransom schemes. According to DEA

¹ Mark Mazzetti, Scott Shane and Alissa J. Rubin, “Brutal Haqqani Crime Clan Bedevils U.S. in Afghanistan,” *New York Times*, September 24, 2011. <http://www.nytimes.com/2011/09/25/world/asia/brutal-haqqani-clan-bedevils-united-states-in-afghanistan.html?pagewanted=all>

investigators, they protect and engage in the trafficking of narcotics and the precursor chemicals used to process heroin (although to a lesser degree than the Kandahari Taliban). The Haqqanis also operate their own front companies, some of which appear to be directed at laundering illicit proceeds and flipping currency that gets trucked into Afghanistan from neighboring Iran.

Over three decades of war, the Haqqanis have evolved into an efficient, transnational *jihadi* industry, one which supports their war effort, and which is supported by it. A conventional analysis would suggest the Haqqanis engage in organized crime in order to fund their war effort. However, the reverse is also true: A continued war benefits the Haqqanis' financial and business portfolio. The Haqqanis' capacity to raise funds from ideological supporters requires ongoing struggle, and their capacity to profit off key business activities, in particular extortion, kidnapping and smuggling, depends on a sustained state of insecurity and limited state influence. This suggests that network leaders have a financial disincentive to ending the conflict through reconciliation, and that a campaign to reconcile with this criminalized network would be futile.

Past Experience: American law enforcement and inter-agency operations have had significant success in attacking and dismantling violent, transnational illicit networks in other parts of the world, and could build on past and current operations. Sustained, interagency attacks have brought down Colombia's Cali and Medellín cartels, México's Arellano-Félix Organization and, more recently, La Familia Michoacana and key North American mafia syndicates. There is also an ongoing interagency operation to dismantle Hezbollah that has made tremendous progress, and at far less cost to the U.S. government than a military operation.²

What these operations have in common is that they have focused on the overall business structure of the target network, using wiretaps, informants, undercover operations, and financial investigations into value transfers. Operation Dinero, an undercover operation that targeted the Cali cartel, traced a global value transfer chain of cocaine money.³ Operation Cornerstone has applied a similar methodology to a range of illicit actors.⁴ Operation Scorpion, meanwhile, traced the supply chain of precursors from their market origin in the United States to the jungles of Colombia.⁵

More recently "Project Coronado," which focused on the La Familia Michoacana, led to the arrest of more than 1,186 people, the confiscation of 2.5 tons of drugs and the seizure of approximately \$33 million. Such operations have targeted domestic networks as well: In 2011,

² <http://www.nytimes.com/2011/12/14/world/middleeast/beirut-bank-seen-as-a-hub-of-hezbollahs-financing.html? r=3&ref=jobecker>

³ <http://community.seattletimes.nwsources.com/archive/?date=19941217&slug=1947747>

⁴ www.bankersonline.com/topstory/financialcrimespresskit.pdf

⁵ <http://www.justice.gov/dea/pubs/history/1980-1985.html>

the FBI announced that it had simultaneously arrested 127 mafia members and their business associates in simultaneous strikes aimed at crippling their operations.⁶

The Way Forward: It would be beneficial to take a page out of these earlier operations as the U.S. government forms a strategy to defeat the Haqqani network by attacking its illicit financial architecture. It is important to recognize that the U.S. dollar is used in more than 70% of international payments and that the U.S. government has the capacity to track international bank transfers. In order to have teeth, any strategy to track Haqqani financial transfers would have to have buy-in from the law enforcement community. The intelligence community can help build out the picture of the network as well, tracing connections between entities connected to the Haqqani network. This is a challenging process, since entities often change names once designated. However, investigators who are experienced with these tactics can follow the thread using powerful search engines.

Filling Information Gaps: Current and former intelligence analysts who have closely tracked the network should be interviewed in order to develop new leads and to collect what information already exists, but which may not have been recorded, about the network's business activities at the local level. A request for information should be sent to field operators in Haqqani zones of operation to gather information more thoroughly about front companies, business partners (both willing and unwilling), money transfer networks, the financial and logistical bureaucracy of the network, and any information that can be gleaned about their banking habits. Just as important, there should also be a collection effort among Haqqani detainees, in particular high-ranking individuals such as Haji Mali Khan. Financial investigators with experience building out information on transnational narcotics and organized crime groups should be tasked to support military interrogators to develop pointed and financially pertinent lines of questioning. The information detainees provide could then be used to follow Haqqani business operations and fund transfers out of Afghanistan, and to build out a map of network operations through Pakistan and into the United Arab Emirates. If time, there should be efforts to check what is gathered across existing intelligence, to determine if old information collected takes on new meaning.

Another priority would be tracking money and commodities that flow in and out of Afghanistan under Haqqani protection. This will be complex, since the Haqqani network partners with small shopkeepers and Hawaladars in bazaars to move needed funds and equipment to their operators. Moreover, business relationships maintained by the Haqqanis can range from simple, one-time market transactions to enduring strategic alliances. It will be necessary to parse out the strategic relationships, and determine how both sides benefit. It's known that

⁶ http://www.msnbc.msn.com/id/41170643/ns/us_news-crime_and_courts/t/more-alleged-mobsters-arrested-east-coast/

business partners in the bazaars, including hawaladars, have bank accounts both inside Afghanistan and out, and the Haqqani network leverages the legal transactions taking place in order to shift their money and materiel. The Haqqanis understand that the best way to move illicit funds and goods is through a licit company. Taken alone, each small shopkeeper seems trifling and unimportant. Observed as a group, these strategic partnerships form the Haqqani's logistical backbone, providing the network cover and capacity to move money and materiel in and out of Afghanistan. The business network also serves an intelligence function, helping the network pass on messages and gather information about the community and the coalition. To date, there has been no systematic effort to collect on and analyze how this system operates. A comprehensive effort would need to literally follow out truck convoys and trace where they deliver their contents. There would need to be efforts to gather shipping documents, bills of lading and other transport documents showing the names of firms that do business with the network. One would then build out the study, by developing information on the people involved at each step in the logistical chain. Once data starts coming in about the network, there will be a need to build out a model of the group's financial and logistical operations, examining how network members interact across the social, financial and logistical layers of operation.

There needs to be more investigation by experienced fraud investigators to determine the actual ownership structure of Haqqani front companies, and to trace their banking records in and outside Afghanistan. Reports that the U.S. government and coalition have unwittingly contracted construction firms connected to the network should be more thoroughly investigated, both to ensure it does not happen again, and to determine if the U.S. contractors who subcontracted Haqqani-owned firms can provide relevant information on the construction companies in question. At the top of the financial chain, there are information gaps concerning Nasiruddin Haqqani. More information is needed about his day-to-day activities, the way in which he (or his assistants) collects payments from ideological donors, and how he negotiates business partnerships.

There is also a need for greater fidelity on how the network functions from the logistical standpoint. Again, questions should be put to existing detainees, in particular Haji Mali Khan, to determine who precisely keeps the logistical side of the network running, and how. It is apparent that a robust logistical bureaucracy existed in the past, which included transport managers and accountants who kept detailed records of how network funds were spent on guns, food and medicine. A broad picture will identify vulnerable nodes across the system, and identifying them could support more precise tactical operations that will kneecap network operations.

Drill Down on Acetic Anhydride: The DOD should partner with DEA and HSI to build out a more complete picture of the Haqqani network's involvement in smuggling Acetic Anhydride (AA) to narcotics processors. Solid evidence of the network's involvement in the narcotics trade would bring about a new rash of designations, while following the flow of AA could help identify Haqqani bank accounts and front operations. The investigation should be focused on health clinics associated with the network, which appear to be importing precursor chemicals under the guise of using them to clean hospital equipment.

Halt All US-Funded Development Projects in Haqqani Areas: There are a limited number of ways in which the U.S. government can have an immediate, limiting effect on how much money enters Haqqani coffers. One is to put a complete halt on all U.S. funded development work and CERP spending in areas the Haqqanis are operating. Amid widespread evidence that the Haqqanis appear to extort between 10 and 25 percent of the value of each construction project in their control zones, the potential sums the network earns off extortion alone are in the tens of millions of dollars. This cycle raises serious questions about the U.S. government's capacity to provide appropriate oversight for the development projects it funds. It also creates a moral hazard for U.S. efforts in Afghanistan. The United States is not only funding the very insurgents it means to defeat, but well-intended development projects are also reducing insurgent transport costs by building better roadways, and indirectly providing the insurgency with cash to buy weapons and explosives that kill and maim U.S. soldiers and Afghan civilians. Local communities that want to continue existing development projects should be encouraged to provide information about how payments were made to the Haqqanis. They should be asked to organize community-led security teams at no cost, and to provide a detailed accounting for all spending, under the direct oversight of qualified, Pashto-speaking USAid accountants. Such a strategy would reduce costs, force community buy-in for programs they deem vital, and help investigators identify how the extortion racket worked previously.

Launch a targeted IO campaign: Insurgent involvement in criminal activity may bring needed funds, however it is a double edged sword that can drive a wedge between the populace and the insurgency. My research has found that communities affected by the Haqqanis are frustrated, frightened and fed up with high levels of violence and organized crime perpetuated by the militants.⁷ This could be exploited in a public relations campaign that spreads information about the Haqqani network's organized crime activities, in particular, its ties to kidnapping members of the local community in Pakistan, and their close criminal collaboration with the widely loathed Hakimullah Meshud. The fact that Onyx Construction Company, an entity that has been linked to the network, appears in the Afghan media over an alleged land-grab means that firm could be targeted in a naming and shaming campaign. Haqqani detainees

⁷ <http://www.ctc.usma.edu/posts/crime-and-insurgency-in-the-tribal-areas-of-afghanistan-and-pakistan>

have complained that they do not like being branded as criminals, and the network has responded angrily to suggestions that it is involved in drug trafficking and other criminal activities that are reviled and forbidden by the Islamic faith. The Haqqanis involvement in smuggling, extortion and kidnapping (not to mention their runaway violence and indiscriminate killing of civilians) represent an untapped public relations opportunity that the coalition should exploit. There is no need for a complex publicity campaign run by ISAF. Rather, judging from past successes, the coalition would be best served by pressing this case in personal encounters with local counterparts, and also by empowering local communities, through the distribution of camera phones and web technology, to publicize the Taliban's bad behavior themselves.⁸ This supports the fundamental COIN principle that letting host nation actors do something tolerably well is better than having foreigners do it, and that's particularly true in this case since U.S. IO campaigns have routinely faltered.

Protect the Public: A public relations campaign that exposes the Haqqanis criminal activities will work best when supported by a committed coalition and GIRoA effort to protect the local populace from the network. The challenge for coalition forces will be to "get in their faces," by disrupting street level criminal activities, such as demanding bribes and tolls, while not alienating or endangering the public. This might involve targeting Haqqani activities that would otherwise not be perceived as a threat to the coalition, such as the local kidnap gangs, or the Haqqani field commander who is extorting tolls on the highway. "Combat policing" techniques that have been implemented by the Marines in southern Afghanistan could be applied to the battle space in Haqqani areas of operation in order to build trust between the coalition and local communities. There is a question of how such programs would be sustained with the U.S. withdrawal just two years away, however recent uprisings against the Taliban in southeast Afghanistan suggest that the public is ready to put down the insurgency.

Conclusion: The Haqqani network gains protection and resiliency from its transnational financial architecture, but it is not invulnerable. A dedicated effort to take down this dangerous network could have success within the timeframe set by the White House for a drawdown of U.S. troops in Afghanistan. What matters now is that the White House demonstrates the political will to finish off this highly-criminalized network, by properly resourcing an interagency task force to do just that.

⁸ See: "Assessing Military Information Operations in Afghanistan, 2001–2010," Rand Research Brief; and <http://www.ndu.edu/press/countering-taliban-information-operations.html>